

# BBVA Research Flash

U.S.

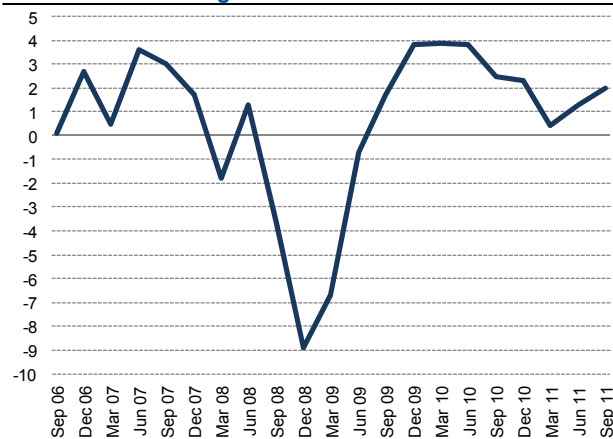
## Downward revision to 3Q11 growth, but consumption still strong

- **Real GDP growth was revised down to 2.0% annualized in 3Q11, mostly due to a decline in private inventory investment**
- **Personal consumption expenditures fell slightly to 2.3%, with little change in other components**

The Bureau of Economic Analysis released its second estimate for 3Q11 real GDP growth with some surprise to markets. Growth was revised down more than expected for the third quarter to 2.0% annualized on a seasonally-adjusted basis following an advance estimate of 2.5%. The downward revision primarily reflects a decline in change in private inventory investment equal to a 0.43 percentage point lower contribution to GDP growth. Although declining inventories may be a negative sign for GDP growth, businesses have been depleting old inventories while consumer demand rebounds and are likely to boost production again once the outlook for future sales improves. Personal consumption remains strong at 2.3% annualized, suggesting only minimal change in underlying demand for the quarter. A downward revision to imports partially offset the declines in other major components. Contributions from nonresidential equipment and software, nonresidential structures, and residential investment remained positive and were relatively unchanged.

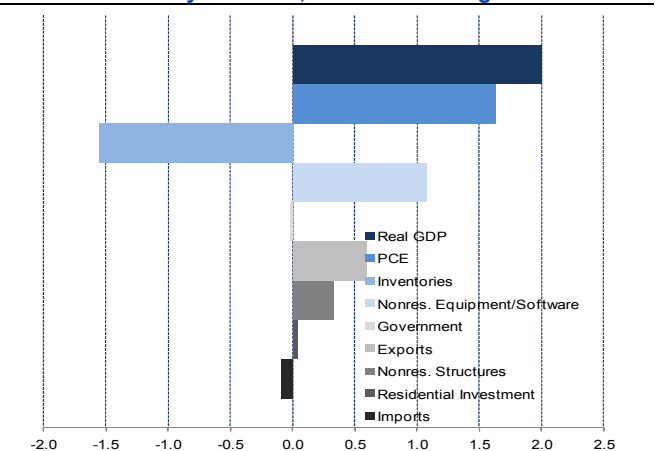
The downward revision to 3Q11 GDP growth appears significant but reflects very little change in personal consumption. Gradual strengthening in the labor market and healthy retail sales suggest similar consumer activity moving into 4Q11.

Chart 1  
**US Real GDP Growth**  
**QoQ SAAR % Change**



Source: Bureau of Economic Analysis

Chart 2  
**Contributions to Real GDP Growth**  
**3Q11 Preliminary Estimate, SAAR Percentage Points**



Source: Bureau of Economic Analysis

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